

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Kim Walesh

**SUBJECT:** SEE BELOW

**DATE:** May 27, 2014

Approved



Date

6/6/14

**SUBJECT: ADOPTION OF A RESOLUTION TO APPROVE THE 2014-2015  
BUDGET REPORT AND TO LEVY HOTEL BUSINESS IMPROVEMENT  
DISTRICT ASSESSMENTS FOR FISCAL YEAR 2014-2015.**

## RECOMMENDATION

Adopt a resolution to approve the Hotel Business Improvement District budget report for fiscal year 2014-2015, as filed or as modified by the Council, and to levy the Hotel BID increased assessments for 2014-2015.

## OUTCOME

Approval of this action will result in the levy of increased assessments for the upcoming fiscal year of the Hotel Business Improvement District to allow the Hotel BID to expand programs and services that support the BID.

## BACKGROUND

The Hotel Business Improvement District ("BID") was established by Council in 2006 pursuant to the California Parking and Business Improvement Area Law ("BID Law") to provide revenues for marketing efforts and to attract business opportunities including research, branding of San Jose as a meetings and convention destination, co-op promotional materials and sponsorship of room-night generating events. The Council appointed the board of directors of San Jose Hotels, Inc. as the Advisory Board ("Board") for the BID, to advise the Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments for the benefit of the BID.

Pursuant to BID Law, an annual public hearing is required in order to approve the annual budget report and levy the annual BID assessments. On April 29, 2014, the Council set June 3, 2014 at 1:30 p.m. as the date and time for a public meeting to consider the adoption of a resolution of intention to levy increased assessments for Fiscal Year 2014-15 and set June 17, 2014 at 1:30

p.m. as the date and time for a public hearing on the levy of increased assessments for Fiscal Year 2014-15. On June 3, 2014, the Council preliminarily approved the 2014-15 budget report as filed by the Board or as modified by the City Council and adopted a resolution of intention to levy the annual assessments for fiscal year 2014-15 for the BID. The 2014-15 budget report preliminarily approved by the Council on June 3, 2014 is attached to this memo as Exhibit 1.

In accordance with the BID Law, the City Clerk has published the required legal notices with regard to the levy of increased assessments for fiscal year 2014-15. In addition, the Office of Economic Development has mailed the required legal notice to all businesses and property owners in the BID who will be subject to the proposed increased assessment.

### **ANALYSIS**

When a hearing is held under BID Law with regard to the levy of assessments of a BID, the City Council shall hear and consider all protests against the continued authorization of the BID, the extent of the area, the assessments, or the furnishing of specified types of improvements or activities. Protests may be made orally or in writing. Written protests must be filed with the City Clerk at or before the time fixed for the public hearing. BID Law requires that the proceedings shall terminate if protests are made in writing against the continued authorization of the BID by businesses or property owners in the proposed district that will pay a majority of the charges to be assessed. If the majority protest is only against the furnishing of a specified type or types of improvement or activity within the area, those improvements or activities shall be eliminated.

On March 14, 2014, the Board approved the FY 2014-15 budget report (the “report”) attached as Exhibit 1, for the Council’s consideration as the budget for the Hotel BID for Fiscal Year 2014-15. As required by BID Law, the report has been filed with the City Clerk and contains, among other things, a list of the improvements, activities, and associated costs proposed in the BID in Fiscal Year 2014-15. The Board has recommended no change in the BID boundaries but has recommended an increase in assessments.

The Board is seeking to adjust the assessment rates to allow the BID to continue expanding its services. The Hotel BID fees have not been adjusted since 2006. BID fees are formulated based on anticipated benefit received from BID programs and services. Changes to the BID assessments are outlined in Exhibit 1.

During the course or upon the conclusion of the public hearing the City Council may order changes in any of the matters provided in the Board’s report. At the conclusion of the public hearing the City Council may adopt a resolution confirming the report as originally filed or as modified by the Council. The adoption of the resolution constitutes the levy of the assessment for the fiscal year 2014-15.

### **EVALUATION AND FOLLOW-UP**

The Board requires an annual reauthorization of the BID as part of its structure. The Board will come before the Council next year to present a report to the Council that proposes a budget for the upcoming fiscal year.

### **PUBLIC OUTREACH/INTEREST**

- ☐ **Criteria 1:** Requires Council action on the use of public funds equal to \$1,000,000 or greater. **(Required: Website Posting)**
- ☐ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum does not meet any of the above criteria and will be posted on the Council Agenda for June 17, 2014 Council agenda. In accordance with the BID Law, the City Clerk has published the required legal notices with regard to the levy of increased assessments. The budget for Fiscal Year 2014-15, including proposed increases to the levy of assessments, was approved by the Board on March 14, 2014.

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, Finance Department, City Manager's Budget Office, Hotel Business Improvement District, Team San Jose, and the City Clerk's Office.

### **FISCAL/POLICY ALIGNMENT**

This action is consistent with the Economic Development Strategy approved by the Council, specifically Initiative No. 1, "Encourage Companies and Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure".

Honorable Mayor and City Council

May 27, 2014

**Subject: Approval of 2014-2015 Budget Report –Hotel Business Improvement District**

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### **COST SUMMARY/IMPLICATIONS**

Adoption of the proposed BID budget does not impact City revenue. BID assessments are restricted for use exclusively by the BID. This action is consistent with the Economic Recovery Strategy of the Council approved Budget Strategy.

### **CEQA**

CEQA: Exempt, File No. PP08-048.

/s/

KIM WALESH

Director of Economic Development

Chief Strategist

For questions please contact Lee Wilcox, Assistant to the City Manager and Downtown Manager, at (408) 535-8172.

Attachments



**San Jose Hotels Inc. FY 2014-15 Budget Report**  
**April 18, 2014**

**Introduction**

San Jose Hotels Inc, Hotel Business Improvement District FY 2014-15 Budget supports San Jose's position as a meetings and convention, sports, travel and leisure destination by investing in convention sponsorship, sporting event bid opportunities, advertising and marketing, online and digital media, and securing media and story opportunities.

Since 2006, the San Jose Hotels Inc Board of Directors have been the City's partner supporting sales sponsorships to further hotel room night bookings within San Jose. The Board supports 50% of its budget to focus on key marketing, online, research and public relations activities that support exposure for San Jose as a destination. Team San Jose is San Jose Hotels Inc contractor to execute on these specific board priorities.

**Boundaries**

All hotels with 80 or more guest rooms located within the city limits of the City of San Jose.

**FY 2014-15 Budget Summary**

On March 14, 2014, the San Jose Hotels Inc. Board of Directors approved a 25% increase to the FY 2014-2015 assessment fee. The chart below provides a comparison by zone of the difference in the current fee increase and the potential increase proposed and approved by the San Jose Hotels Inc. Board of Directors.

ZONE	Current Fee	Potential Fee
Zone A (1 mile radius from CC and in)	\$2.00	\$2.50
Zone B (1 to 3 mile radius from CC)	\$1.00	\$1.25
Zone C (outside 3 mile radius from CC)	\$0.75	\$1.00

The HBID fee assessment is based on hotel occupancy for each hotel within the Hotel Business Improvement District. The budget is based on a 4.6% increase in HBID collections due to increased hotel occupancy and the new proposed rate structure provides a 25% increase in assessment fees by zone. The following budget for FY 2014-2015 was approved by the Board.

Zone	Percent of PY Revenue	Current Rate Structure	Proposed Rate Structure
Zone A Collection Estimate	107.0%	\$1,246,490	\$1,558,113
Zone B Collection Estimate	104.0%	\$563,488	\$704,360
Zone C Collection Estimate	98.0%	\$352,478	\$469,971
<b>TOTAL</b>		<b>\$2,162,456</b>	<b>\$2,732,444</b>

The Board since 2006 when the BID was created, maintains an equal split between business generation sales subsidies and supporting marketing initiatives that are all focused on driving hotel rooms in the San Jose community. For FY 2014-2015, this balanced approach to the budget will continue.

**Top Level Budget FY 2014-2015**

	Current Rate Structure Total	Proposed Rate Structure Total
Zone A Collections	1,246,490	1,558,113
Zone B Collections	563,488	704,360
Zone C Collections	352,478	469,971
<b>Total Collections</b>	<b>2,162,466</b>	<b>2,732,444</b>
<b>Sponsorship</b>	<b>1,023,728</b>	<b>1,308,722</b>
<b>Marketing Expenses</b>		
<b>Total Marketing Expense</b>	<b>1,023,728</b>	<b>1,308,722</b>
<b>Administrative Expenses</b>		
<b>Total Administrative Expenses</b>	<b>115,000</b>	<b>115,000</b>
<b>Total Expenses</b>	<b>1,230,406</b>	<b>1,423,722</b>
<b>Excess/(Deficit)</b>	<b>-</b>	<b>-</b>

**Budget Priorities for FY 2014-2015**

**Marketing Strategy**

- Top Priority: Expand sales campaign to raise destination awareness. Target planners, attendees and decision makers / influencers.
- Top Priority: Allocate resources based on community consensus around segmentation to maximize opportunities in need periods and layer in future business.
- Continue to develop key industry partnerships to maximize return on marketing investments and leverage synergy in brand awareness.
- Refine qualifying of sales accounts to focus on fewer targets with greater potential for return through more individualized marketing efforts
- Renewed emphasis on destination marketing to improve perception of San Jose as a travel and meetings destination

**Communications Strategy**

- Increase individual media trips to San Jose to gain exposure
- Strategically target media partnerships to build awareness of San Jose as a destination to broader audiences
- Continue current industry partnerships like Visit California
- Launch targeted national and local campaigns to tell San Jose's story
- Continue to build relationships and stay the course with trade media to gain exposure in the marketplace

- Proactively pitch stories and announcements to target media publications

## ANNUAL REPORT

### Accomplishments to date for FY 2013-2014

Accomplishments to date including all statistics as of mid-year, December 31, 2013. San Jose Hotels Inc. is on track to outpace all scope of work areas.

#### Major milestones include:

- Grand Opening of the Convention Center
- New Advertising Campaign Launch
- Maximized news announcements to demonstrate momentum in the industry
- New business opportunities as a result of HBID activities

#### Grand Opening



- Secured 44 new pieces of business that will use the new expanded space and of these 15 are city wide conferences

#### Marketing and Public Relations Initiatives

#### New Advertising Campaign



- The new ad campaign complements the new convention center and reminds planners in a quick way why San Jose is the best choice for meetings. Secured advertising year to date, generating year to date 456,510 advertising impressions.

#### Unique Website Visits

- There were 168,601 fiscal year to date unique visits to the sanjose.org website.

#### Trade Shows & Special Events

- Team San Jose, as the contractor to HBID has participated in 21 combined industry tradeshows, sponsorships and client events – reaching out to a total of 5,905 meeting planners fiscal year to date within various market segments.

#### Public Relations

- Generated 94,334,961 million media impressions and 242 articles to support San Jose's destination awareness as a meetings and convention destination.
- This includes articles placed in meetings and convention trade publications, local and leisure publications with \$421,311.14 marketing spend equivalent.



#### Destination Video Footage and New Destination Video

- Team San Jose recently partnered with a local company, Rough House, to create a new destination video showcasing San Jose's visitor offerings. The video is live on sanjose.org and YouTube: <http://www.youtube.com/watch?v=wteMeOZ19Ng>
- Recent USA Today coverage used our destination video footage [http://www.today.com/id/49063771/ns/today-today\\_video/#54166233](http://www.today.com/id/49063771/ns/today-today_video/#54166233)



Attachment 2

**Assessment**

0 – 1 mile from the Convention Center	\$2.00
1 – 3 miles from the Convention Center	\$1.00
More than 3 miles from the Convention Center	\$0.75

**Boundaries**

All hotels with 80 or more guest rooms located within the city limits of the City of San Jose.